

# Indiana Enterprise Zone Program Policy Statement

## Introduction and Description

In 1983, the Indiana General Assembly passed legislation that provided for the creation of enterprise zones. The broad purpose of enterprise zones in Indiana is to stimulate local community and business redevelopment in distressed urban areas. The program seeks to improve the quality of life within the zone through economic incentives and by building public-private partnerships aimed at strengthening local capacity for human and economic development. It is a comprehensive redevelopment program requiring the coordinated effort of business, government and residents in a cooperative managing structure.

There are 27 enterprise zones in Indiana. Twenty (24) of the zones are located in the following cities: Anderson, Bedford, Bloomington, Connersville, East Chicago, Elkhart, Evansville, Fort Wayne, Gary, Hammond, Indianapolis, Jeffersonville, Kokomo, La Porte, Lafayette, Marion, Michigan City, Mitchell, New Albany, Portage, Richmond, Terre Haute, South Bend, and Vincennes. Grissom Aeroplex (formerly Grissom Air Force Base) located in Miami County, Fort Harrison (formerly Fort Benjamin Harrison) located in Marion County and the Indiana Army Ammunition Plant located in Clark County are also enterprise zones.

The enterprise zone program is staffed by the Indiana Department of Commerce and administered by the State Enterprise Zone Board.

(This program is established by Indiana Code 4-4-6.1 "Enterprise Zones.")

## Program Organization Overview

The Indiana Enterprise Zone Program is governed by the 20-member Indiana State Enterprise Zone Board and staffed by the Indiana Department of Commerce (IDOC). The Board has broad powers to designate, review, approve and disqualify enterprise zones. A local Urban Enterprise Association (UEA) administers each local enterprise zone. UEAs serve as catalysts for zone development, promote the zone to outside groups and individuals and act as a liaison between and among businesses, residents and state and local governments.

## Program Organization Overview

Qualified businesses located in enterprise zones are eligible for tax abatements, credits and exemptions. A business' tax savings must be reinvested in the business or a business' employees who reside in the enterprise zone or be contributed to the local UEA. If a business's tax savings amount to more than \$1,000, it must submit a one percent registration fee to the Department of Commerce for administrative purposes.

## Threshold Criteria for Enterprise Zone Eligibility

The State Enterprise Zone Board may designate an enterprise zone if it finds that the following criteria exist in a proposed zone:

- ❶ 25 percent of zone resident households are below the poverty level established by the U.S. Census or the average rate of unemployment for the most recent 18 month period is at least one and one-half (1 1/2) times the statewide rate for the same period.
- ❷ Resident population is greater than 2,000 but less than 10,500.
- ❸ The area is greater than 3/4 square mile but less than 4 square miles with a continuous boundary.
- ❹ Property suitable for the development of a mix of commercial, industrial and residential uses.
- ❺ The appointment of an urban enterprise association that meets the requirements of IC 4-4-6.1-4.
- ❻ A statement by the applicant indicating a willingness to provide specified economic development incentives.

## Enterprise Zone Incentives

Various tax and financial incentives are available in enterprise zones to impact the cash flow position of a business and improve their access to capital. The incentives are divided into three categories:

- ❶ Incentives to businesses to encourage investment/reinvestment.
- ❷ Incentives to individual residents of the zone.
- ❸ Incentives to lenders to encourage lending to zone entities.

Briefly, these incentives are:

- **Gross Income Tax Exemption**: All enterprise zone income exceeding the income earned in the enterprise zone prior to its designation is exempt from the state gross income tax.
- **Employment Expense Credit**: Employer income tax credit for 10 percent of the increase in wages paid to resident employee wages or \$1,500 per employee.
- **Inventory Tax Credit**: A taxpayer will receive a credit against the personal property tax liability equal to the personal property tax on all inventory located in the zone.
- **Investment Cost Credit**: Individual investors receive up to a 30 percent income tax credit for the purchase of equity in start-up or expanding enterprise zone firms.
- **Loan Interest Credit**: A tax credit for 5 percent of interest earned on loans to enterprise zone businesses or on loans for improvements to real property, including residential property.
- **Employee Tax Deduction**: A tax deduction equal to one-half of adjusted gross income up to \$7,500 for employees who live and work in the zone.

Questions regarding these policies should be directed to the Community Development Division by calling (317) 232-8911 or (800) 824-2476, via TDD at (317) 233-5977; or you may write:

Attn: UEZ Program  
Indiana Department of Commerce  
Community Development Division  
One North Capitol, Suite 600  
Indianapolis, IN 46204-2288